

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

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R 020800Z APR 75

FM AMEMBASSY ANKARA

TO SECSTATE WASHDC 8617

INFO AMCONSUL ADANA

AMCONSUL ISTANBUL

AMCONSUL IZMIR

USMISSION NATO

AUSMISSION OECD PARIS 3636

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AMEMBASSY ATHENS

AMEMBASSY NICOSIA

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E.O. 11652: N/A

TAGS: PFOR, TU, CY, GR

SUBJ: NEW GOVERNMENT'S COALITION PROTOCOL-ECONOMIC

SUMMARY: ECONOMIC PORTIONS OF GOVERNMENT'S PROTOCOL  
CONTAIN NOTHING STARTLING. PROTOCOL IS STATEMENT OF INTENT  
AND IS LESS SIGNIFICANT THAN GOVERNMENT'S PROGRAM WHICH  
SHOULD BE FORTHCOMING SOON. THE JUSTICE PARTY PREFERENCE FOR  
THE PRIVATE SECTOR IS NOT CLEAR. THE PUBLIC SECTOR MAY EVEN  
BE AT AN ADVANTAGE OVER THE PRIVATE. THE PROTOCOL CALLS FOR  
RAPID INDUSTRIALIZATION AND MAKES SPECIFIC PROMISES TO  
MASS GROUPS. END SUMMARY.

1. THE GOVERNMENT PROTOCOL IS DIVIDED INTO TWO PARTS:

(1) AN INTRODUCTION WHERE GENERAL STATEMENTS AND PROMISES WERE

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MADE AND (2) DISCUSSIONS OF PROPOSED ACTIVITIES, MANY OF WHICH

WERE ECONOMIC. IN THE PORTIONS OF THE INTRODUCTION DEVOTED TO ECONOMIC AFFAIRS, THE NEW GOVERNMENT PAYS SOME ATTENTION TO THE PRIVATE SECTOR AND TO FOREIGN INVESTMENT BUT LAYS ITS EMPHASIS ON THE PUBLIC SECTOR. BY STEPPED-UP INDUSTRIALIZATION, THE GOVERNMENT PROMISED AN IMPROVEMENT IN THE DISTRIBUTION TO THE POPULACE OF THE BENEFITS DERIVED FROM THE TURKISH ECONOMIC SYSTEM. PROMISES OF SOCIAL JUSTICE AND SOCIAL SECURITY, AS WELL, WERE MADE TO MASS GROUPS: LOW-INCOME EARNERS, THE POOR, PENSIONERS, FARMERS AND THE POPULATION IN THE LESS DEVELOPED AREAS OF THE COUNTRY. THE PROTOCOL STRESSED THE NEED FOR THE DEVELOPMENT OF A WIDE RANGE OF INDUSTRIES, MOST OF WHICH WOULD EITHER BE IN THE STATE ECONOMIC ENTERPRISE SECTOR OR THROUGH JOINT STATE-PRIVATE SECTOR ARRANGEMENTS. THE PROTOCOL MENTIONED THE NEED OF CHECKING INFLATION WITHOUT DISRUPTING THE ECONOMY AND STATED THAT A NATIONAL INVESTMENT DRIVE WAS REQUIRED TO SPEED UP DEVELOPMENT.

2. ECONOMIC AND FINANCIAL POLICY--SPECIFICALLY, THE PROTOCOL PROPOSES A BALANCED ECONOMIC SYSTEM BASED UPON DYNAMIC MONEY, CREDIT AND PRICE POLICIES. IT CALLS FOR AN IMPROVED CAPITAL MARKET, THE PROMOTION OF EXPORTS, AND THE ALLEVIATION OF THE TAX BURDEN ON THE POOR.

3. INDUSTRIALIZATION--THE NEW GOVERNMENT PROPOSES TO ESTABLISH AND DEVELOP ORGANIZED INDUSTRIAL SITES AND ZONES BY UTILIZING THE SAVINGS OF THE PEOPLE FOR INVESTMENT PURPOSES AND BY THE PASSAGE OF AN INDUSTRIAL ENCOURAGEMENT ACT AS THE MOST SUITABLE BASIS TO DEVELOP INDUSTRIES ON A BROAD SCALE AND TO ASSIST PRIVATE ENTREPRENEURS IN ESTABLISHING INDUSTRIES. THE PROTOCOL COUPLED THIS LAW WITH ANOTHER ONE TO ESTABLISH A STATE INDUSTRIAL WORKERS SAVINGS BANK, ALSO AS A MEANS TO DEVELOP CAPITAL FOR INVESTMENT. THE PROTOCOL MENTIONED THAT FOREIGN CAPITAL IS DESIRED BUT ESSENTIALLY UNDER THE PRESENTLY EXISTING RESTRAINTS. TO ASSIST THE DEVELOPING TURKISH INDUSTRIES, THE NEED TO IMPORVE TECHNOLOGY BY TRANSFERS FROM ABROAD WAS DISCUSSED.

4. ENERGY--CONSTRUCTION OF HYDROELECTRIC AND THERMAL POWER PLANTS, IT WAS STATE, WOULD BE ACCELERATED AND OIL EXPLORATION AND PRODUCTION WOULD BE INCREASED AND SPEEDED UP. TURKEY PLANS TO TAKE ALL THE NECESSARY MEASURES TO CLAIM OWNERSHIP AND TO LIMITED OFFICIAL USE

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OPERATE THE CONTINENTAL SHELF. NUCLEAR POWER PLANTS WILL BE BUILT.

5. AGRICULTURE--AGRICULTURAL INCENTIVES TO FARMERS AND PRICE SUPPORTS WOULD BE MAINTAINED, WITH THE STRESS GIVEN TO BASIC FOOD PRODUCTION. THE AGRICULTURE PROCESSING INDUSTRY WOULD BE FURTHER ENCOURAGED. FOR THE BENEFIT OF THE FARMER, CHEAPER FERTILIZERS WERE PROMISED.

6. SOCIAL AFFAIRS--SOCIAL SECURITY FOR THE ENTIRE POPULATION AND THE INSTITUTION OF A NATIONAL HEALTH SYSTEM WAS PROPOSED. INCREASED OPPORTUNITY WOULD BE GIVEN TO WORKERS TO PARTICIPATE IN PUBLIC HOUSING PROJECTS. INCREASED DOMESTIC PRODUCTION OF MEDICINE OF BETTER QUALITY WOULD HELP THE CITIZEN.

7. LABOR--WAGES OF WORKERS WILL BE TIED TO THE COST OF LIVING, AND WORKERS WILL BE GIVEN AN OPPORTUNITY TO BUY SHARES IN FACTORIES AND OTHER INVESTMENT PROJECTS.

8. COMMENT: IN THE DIVISION OF CABINET RESPONSIBILITIES, IT WOULD APPEAR THE DEPUTY PRIME MINISTER, NECMETTIN ERBAKAN, WAS GIVEN A STRONG POSITION WITH RESPECT TO THE NATIONAL ECONOMY. THE STATE PLANNING ORGANIZATION (SPO) WILL BE DIRECTLY UNDER HIS CONTROL, AND PARTY COLLEAGUES OF HIS WERE GIVEN THE FOLLOWING MAJOR ECONOMIC MINISTRIES: INDUSTRY AND TECHNOLOGY, PUBLIC WORKS, AGRICULTURE, AND LABOR. THE FIRST THREE MINISTRIES SPEND OR CONTROL THE MAJOR INVESTMENTS IN THE COUNTRY AS PLANNED BY THE SPO.

9. DEMIREL'S LIEUTENANTS WERE ASSIGNED THE FOLLOWING ECONOMIC MINISTRIES: FINANCE, COMMERCE, ENERGY, HOUSING AND SOCIAL SECURITY. ONLY FINANCE HAS ANY REAL SIGNIFICANCE, AND IT IS HEADED BY A MINISTER WITH LITTLE FINANCIAL EXPERIENCE.

10. IT IS TRADITIONAL THAT WHEN NEW GOVERNMENTS ARE INSTALLED SENIOR CIVIL SERVANTS WHO ARE NOT PARTY ADHERENTS OF THE GOVERNMENT ARE TRANSFERRED. FOR TURKEY THESE CHANGES ARE RELATIVELY NUMEROUS AND TAKE TIME. IT IS ALMOST A CERTAINTY THAT EACH MINISTER WILL MAKE CHANGES WITHIN HIS MINISTRY AND THAT SOME OF THESE CHANGES WILL REQUIRE COUNCIL OF MINISTERS AND PRESIDENTIAL APPROVAL SO THAT IT WILL TAKE SOME LIMITED OFFICIAL USE

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TIME BEFORE THE NEW TEAMS OF THE NEW GOVERNMENT MINISTERS CAN BE INSTALLED, AND THIS WILL SLOW DOWN FOR SEVERAL MONTHS AT LEAST THE DECISION-MAKING PROCESS WITHIN THE MINISTRIES.  
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